RECORD AND BRIEF.

SUPREME COURT U.S.
SEP - 5 2017

No. 16-969

IN THE

Supreme Court of the United States

SAS INSTITUTE INC.,

Petitioner,

v.

JOSEPH MATAL, Interim Director,
United States Patent and Trademark Office, and
COMPLEMENTSOFT, LLC,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR RESPONDENT COMPLEMENTSOFT, LLC

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QUESTION PRESENTED

Does the America Invents Act require patent owners and the Patent Trial and Appeal Board to spend resources conducting an inter partes review on patent claims in which the petitioner failed to show even a reasonable likelihood of success in its petition?

RULE 29.6 STATEMENT

Respondent ComplementSoft, LLC has no parent company; no publicly traded corporation owns 10% or more of its stock.

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STATEMENT OF THE CASE

1. The Inter Partes Review Process: The inter partes review ("IPR") process begins with a petition seeking review. The petition is not like a civil complaint, which need only state a plausible cause of action. Under the America Invents Act, the petitioner is expected to come to the Patent Trial and Appeal Board ("Board") with its evidence and arguments fully developed. The statute requires that the petition "identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." Leahy-Smith America Invents Act ("AIA"), 35 U.S.C. § 312(a)(3) (2012). This includes providing the Board with any expert declarations offered to support the petition. *Id.* § 312(a)(3)(B).

In response to the petition and any preliminary response from the patent owner, the Board is required to determine whether "there is a reasonable likelihood that the petitioner would prevail." *Id.* §§ 313, 314(a). If there is a reasonable likelihood "with respect to at least 1 of the claims challenged in the petition," the Board is authorized (but not required) to institute the IPR. *Id.* § 314(a). The Board's determination "whether to institute" an IPR "shall be final and non-appealable." *Id.* § 314(d).

Because the petitioner must include its evidence and arguments in its petition, failure to show a reasonable likelihood of success on a particular claim at the petition stage forecloses any hope of prevailing in a final written decision after discovery and trial. In fact, a petitioner's case can only get worse after institution because the patent owner has the opportunity, for example, to depose the petitioner's expert and

uncover bias or shortcomings in his or her opinions. As a result, proceeding with discovery, further expert costs, a trial, and a final written decision on claims in which the petitioner has no reasonable likelihood of success is necessarily a futile exercise for the parties and the Board.

Under Section 318, "[i]f an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner[.]" *Id.* § 318. The statute allows a party "dissatisfied with the final written decision" to appeal it. *Id.* § 319.

If an IPR is instituted against a claim, and the petitioner fails to invalidate it at trial, resulting in a final written decision against the petitioner on that claim, estoppel prevents future invalidity assertions by the petitioner in Patent Office proceedings, civil actions, and International Trade Commission actions based on any ground that the petitioner "raised or reasonably could have raised during [the] inter partes review." *Id.* § 315(e). The only grounds on which an IPR may be instituted, however, are invalidity under Section 102 (novelty) or 103 (obviousness), and they may only be based on "prior art consisting of patents or printed publications." *Id.* § 311(b). Thus, an accused infringer who loses an IPR can challenge the validity of the same claims in litigation based on other frequently asserted grounds, including Section 101 (patentable subject matter) and Section 112 (enablement and written description), and may also challenge the same claims again under Section 102 or 103 using different forms of prior art.

Further, even the estoppel under Sections 102 and 103 for arguments based on printed publications and

patents is limited. Under Federal Circuit law, no estoppel applies to future use of prior art that was submitted in an IPR petition but that the Board did not consider because the Board deemed the art "redundant." *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 374 (2016). Petitioners are also not estopped, as the law has developed thus far, from bringing Section 102 or 103 arguments using patents and printed publications that a court determines a petitioner could not "reasonably" have raised in an IPR because it was too hard to find them. *See, e.g., Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389, at *8 (N.D. Ill. Mar. 18, 2016) (in reliance on floor statements by Senator Kyl, holding that only prior art expected to be found by a skilled researcher applying a "diligent," as opposed to "scorched-earth," search is subject to estoppel). Thus, far from providing the patent owner much "finality" as to the validity of a claim, an unsuccessful IPR forecloses only a fraction of the commonly asserted invalidity defenses.

Accused infringers have engaged in various tactics in an effort to pursue questionable IPRs. *See* Albert Liou, *A Single Bite at the Apple: The Board's Discretion to Deny Institution Under § 314(a)*, PTAB Litigation Blog (Apr. 28, 2017), http://www.ptablitigationblog.com/a-single-bite-at-the-apple-the-boards-discretion-to-deny-institution-under-%C2%A7-314a/ (describing improper attempt by petitioner to use decision in first IPR to serve as a guide for a second IPR using additional prior art); David Maiorana, *Be Careful Basing Your IPR On Previously Considered Prior Art*, PTAB Litigation Blog (June 22, 2017), http://www.ptablitigationblog.com/careful-basing-ipr-previously-considered-prior-art/ (describing a petitioner that based its rejected IPR petition on prior art that was already considered

in original prosecution, which is technically allowed, because "[p]erhaps the petitioner here had no better prior art on which to rely" yet elected to pursue the IPR anyway); PTAB Litigation Blog, *Strategic Considerations for Duplicative Filings Before the PTAB* (Mar. 28, 2016), http://www.ptablitigationblog.com/strategic-considerations-for-duplicative-filings-before-the-ptab-presentation-slides/ ("Litigants have long utilized [joinder of] duplicative filing of IPR or [covered business method] petitions to obtain the benefit of arguments made by earlier petitioners and to improve leverage for settlements with patent owners."); PTAB Litigation Blog, *Joinder Presentation Slides*, 3 (Mar. 28, 2016), http://www.ptablitigation blog.com/strategic-considerations-for-duplicative-filings-before-the-ptab-presentation-slides/ (describing use of joinder of multiple Board proceedings to "evade the one year bar" and "correct mistakes"). Some of these tactics failed, but nonetheless required costly responses from patent owners and occupied the Board's limited time.

A little over half the time (around 59%), district courts stay infringement suits during the pendency of an IPR. *See* Intellectual Property Owner's Ass'n Br. at 8 (citing LegalMetric Nationwide Report, *Stay Pending Inter Partes Review in Patent Cases*, at 2 (Aug. 2012-Mar. 2017)). According to one practitioner, this perhaps is because district court judges "liked the option of offloading patent validity challenges to the PTAB." Matthew Johnson, *Video – PTAB Popularity and the Reasons For It* (Mar. 2, 2017), 2:01-2:11, http://www.ptablitigationblog.com/video-ptab-popularity-and-reasons-for-it/. A stay results in an "advantage" for accused infringers in part because it "delays recovery to the patent owner" and "increases the petitioner's settlement leverage." *Id.* at 2:12-2:25.

Under the Board's partial institution practice, if an IPR is instituted as to only some of the claims sought by the accused infringer and there appears to be little hope of the patent owner succeeding before the Board, a patent owner is free to exclude the instituted claims from the litigation or cancel them outright so that it may proceed in court without further delay. Under SAS's interpretation of the statute, however, that would no longer be possible. Instead, accused infringers could force a lengthy delay for settlement leverage purposes if there is just one claim with a reasonable chance of invalidation. And because the petitioner has no real chance of invalidating claims in district court on grounds that would not have been instituted under the Board's partial institution practice (especially given the more petitioner-favorable claim construction standard and burden of proof before the Board), the potential estoppel effects from pursuing those arguments in the IPR anyway would not be much of a deterrent to the petitioner.

There is no limitation on who can file IPR petitions, and they are not being pursued only by accused infringers. A hedge fund, for example, has challenged pharmaceutical patents of companies whose stock it has shorted—a context in which estoppel is useless to the patent owner. *See* Brandon Pierson, *Fund Manager Wins Challenge to Celgene Drug Safety Patents*, Reuters Legal (Oct. 28, 2016); *see also* Marc Cavan, Matthew Rizzolo, & Matthew McDonnel, *"Reverse Patent Trolls": Patent Law's Newest Strategy Unfolds*, Bloomburg BNA Patent, Trademark & Copyright Journal, 90 PTCJ 2212 (May 29, 2015) (describing various other emerging uses of IPRs for financial gain by entities other than accused infringers); *Allergan, Inc. v. Ferrum Ferro Capital, LLC*, No. LA CV15-00992, 2015 WL 12670417, at *7 (C.D. Cal. Dec. 28,

2015) (describing a party alleged by the plaintiff to have filed an IPR solely "to extract a monetary settlement" from the patent owner and finding question to be a matter of state law or potentially implicating Board sanctions, but not a substantial federal patent question).

2. The Proceedings Below. ComplementSoft is the current and original owner of U.S. Patent Number 7,110,936, titled "System and Method for Generating and Maintaining Software Code." J.A. 80. Generally speaking, the '936 Patent is directed to a software tool used by software programmers to visualize and edit source code written in a data manipulation language. *Id.*

Before the '936 Patent issued, ComplementSoft and SAS entered into a non-disclosure agreement, under which SAS reviewed ComplementSoft's "ASAP" product.[1] *See* Joint Report at 7-8, *ComplementSoft, LLC v. SAS Inst. Inc.*, No. 1:12-cv-07232 (N.D. Ill. Jan. 10, 2017), ECF 81. After SAS's review of the product, SAS entered into an agreement with ComplementSoft to resell the product, but before the agreement was implemented, SAS terminated it. *Id.* At various times in the following years, ComplementSoft attempted to renew its relationship with SAS through discussions with various SAS employees, and also informed SAS of its pending, and eventually allowed, patent claims. *Id.*

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[1] SAS does not necessarily agree with ComplementSoft's version of these facts and has denied any infringement or willful infringement. While the cited document is a joint report, the cited passage comes from ComplementSoft's individual statement, and SAS submitted its own contrary statement in the joint report. None of these issues have been litigated in the district court case.

In September 2012, ComplementSoft filed its patent infringement suit against SAS. *See* Complaint, *ComplementSoft, LLC v. SAS Inst. Inc.*, No. 1:12-cv-07232 (N.D. Ill. Sept. 14, 2012), ECF 1. Following the exchange of initial discovery, SAS filed its IPR challenging all of the claims in the '936 Patent on multiple grounds, and the district court stayed ComplementSoft's suit pending the results. Minute Entry, *ComplementSoft, LLC v. SAS Inst. Inc.*, No. 1:12-cv-07232 (N.D. Ill. May 8, 2013), ECF 44.

On August 12, 2013, the Board rendered its institution decision. After reviewing the voluminous petition and expert declaration submitted by SAS, *see* J.A. 4-76, the Board instituted IPR with regard to most, but not all of the claims.

With regard to claim 2, the Board found that SAS "failed to demonstrate a reasonable likelihood that it would prevail[.]" Pet. App. 124a-125a. The Board found that the cited passage of the prior art reference relied on by SAS did not meet the claim language, and noted that SAS only "generally point[ed] to a description" of a broad portion of the reference to support its assertion. *Id.*

With regard to claims 11-16, the Board found that SAS failed to comply with the Board's rules regarding means-plus-function claims.[2] Pet. App. 115a-116a. Specifically, the Board found that while its rules expressly require a petitioner requesting review of a means-plus-function claim to "identify the specific

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[2] A description of means-plus-function claims and the principles that apply to interpreting them and determining their validity under Federal Circuit law can be found at, e.g., *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015).

portions of the specification that describe the structure, material, or acts corresponding to each function," SAS failed to identify what structure in the specification it claimed to correspond to the limitations in claims 11-16. The Board found that "SAS's analysis, therefore, is insufficient[.]" *Id.*

The parties then proceeded through the patent owner's full response, discovery, and a trial.

In its final written decision, the Board upheld the validity of claim 4 and invalidated claims 1-3 and 5-10. Pet. App. 43a. The Board did not issue a final written decision as to claims 2 and 11-16, which it already found to have no reasonable chance of being invalidated at the institution stage. Pet. App. 84a. The Federal Circuit affirmed the Board in all regards, except that for claim 4, it affirmed the Board's claim construction but remanded for further proceedings. Pet. App. 1a-22a. Those remand proceedings have been stayed pending this appeal.

SUMMARY OF THE ARGUMENT

SAS had more than adequate opportunity to persuade the Board that the patent claims at issue in this appeal were invalid. In response to SAS's petition, though, the Board concluded that there was not even a reasonable likelihood that SAS could succeed, and, for all but one of the uninstituted claims, found that SAS failed to comply with the Board's rules.

SAS asks the Court to hold that the Board should have engaged in discovery and trial on SAS's doomed arguments and should have entered a final written decision on them. There is but one reason to pursue this expensive and wasteful exercise, and that is to give the accused infringer the opportunity to appeal the Board's decision on those claims. Yet that is

a remedy that the statute expressly forecloses by making institution decisions unreviewable.

Neither the plain text of the statutory provision—in isolation or in context—nor the purpose of the statute are served by forcing patent owners and the Board to expend resources litigating invalidation arguments to a final written decision where the petitioner failed to show a reasonable chance of success at the institution stage. Instead, the plain text and the overall statutory context demonstrate that the Board may elect to review only those claims where there is a reasonable chance that the petitioner will succeed and need not otherwise deny a petition outright or use its limited resources litigating unreasonable arguments by petitioners.

SAS's policy and legislative-purpose arguments are similarly unfounded. SAS attempts to find a legislative intent that simply does not exist in the text of the statute or its legislative history. Nor does the statute, even under SAS's interpretation, remotely result in the final resolution of the validity of all claims of a patent in a single forum, which SAS claims to be the statute's very purpose.

Even if SAS were correct about the purpose of the statute, though, partial institution furthers the goal of expeditious resolution of validity questions. Because validity is always a claim-by-claim analysis, it only makes sense that an IPR be used only for those specific claims where the petitioner might be expected to prevail. A petitioner unhappy with a partial institution decision can always elect to proceed in district court instead of the IPR.

At most for SAS, however, the statute is ambiguous with regard to partial institution. Therefore, the Board's interpretation should be given deference under *Chevron*.

ComplementSoft will address the *Chevron* issue generally, but defers to the arguments made by the Board on this issue.

Finally, even if SAS is correct that partial institution is improper, the correct remedy is not to force the Board to review the claims for which it declined institution here. Instead, the final written decision should be vacated and the Board should be permitted the opportunity to revisit its institution decision altogether.

ARGUMENT

I. BOTH THE PLAIN TEXT AND STATUTORY CONTEXT SUPPORT PARTIAL INSTITUTION AND ARE CONTRARY TO SAS'S STATUTORY INTERPRETATION

A. Patent Law Is Based on a Claim-By-Claim Analysis

For a very long time, and certainly at the time the AIA became law, the patent system has been based around claims. *See* R. Carl Moy, Moy's Walker on Patents § 4:1 (4th ed. 2017) ("the patent claim is the basic source from which the subject matter of the patent right is determined"). Patents generally have multiple claims, both independent and dependent. Some may be valid and infringed, and others not. A court may grant a motion to dismiss or a motion for summary judgment on some claims but not others. The infringement and invalidity contentions required by many district courts must be done on a claim-by-claim basis. In the very IPR at issue here, the Board upheld one claim while invalidating others.

B. The Plain Text of the Statute and the Context in Which It Appears Do Not Require the Board and Patent Owners to Spend Resources Litigating Arguments with No Reasonable Chance of Success

The AIA lays out a multi-part, time-sequenced process for IPRs, which appear in the statute in the following order: (1) general provisions explaining who can file an IPR, when it must be filed, and on what grounds it may be filed (§ 311); (2) the specific contents of the petition (§ 312); (3) the preliminary response from the patent owner (§ 313); (4) the Board's institution decision (§ 314); (5) discovery and trial (§ 316); and (6) the Board's decision on the merits (§ 318).

In these provisions, Congress used three different phrases to describe actions taken by the petitioner. In the general provisions about what can be pursued in an IPR, Congress used the phrase "may request to cancel as unpatentable." 35 U.S.C. § 311(b). In the provision governing the petition itself, Congress required that "the petition" identify "each claim challenged," the "grounds on which the challenge to each claim is made," and the "evidence that supports the grounds for the challenge to each claim." *Id.* § 312(a)(3). In the institution provision, Congress again specifically referred to "the information presented in the petition." *Id.* § 314(a). In the final written decision provision, however, Congress used the phrase "any patent claim challenged by the petitioner." *Id.* § 318(a).

When Congress uses different phrases in a statute, it is generally presumed that it intended different meanings. *Sosa v. Alvarez-Machain*, 542 U.S. 692, 712 n.9 (2004) (noting "the usual rule that 'when the legislature uses certain language in one part of the statute and different language in another, the court assumes

different meanings were intended'") (quoting N. Singer, Statutes and Statutory Construction, § 46:06, 194 (6th rev. ed. 2000)); *Jama v. Immigration & Customs Enf't*, 543 U.S. 335, 357 (2005) ("Congress thus used two different words ('another' and 'a') in parallel provisions of two immediately adjacent and otherwise similar paragraphs.") (Souter, J. dissenting); *Doe v. Chao*, 540 U.S. 614, 630 (2004) ("Nor, when Congress used different words, here 'actual damages sustained by the individual' and 'a person entitled to recovery,' should a court ordinarily equate the two phrases.") (Ginsburg, J. dissenting). There is no question that Congress used different phrases in the institution and final written decision provisions, and that difference should be given effect.

The difference in language in the various stages should also be considered in a manner consistent with the progressive steps that occur in an IPR. After starting with the broadest stage in the most general, pre-petition provision, and using a narrower phrase in the institution stage, Congress used yet another phrase in the final written decision stage. Given that the IPR provisions set forth a progression of steps, the difference in language at the final step should continue the narrowing progression from "may request," to challenged in "the petition," to remaining "challenged" after institution; should be understood to apply to claims challenged in the specific stage in which the term is used; and should be interpreted to exclude any claims for which the petitioner had failed to make a proper challenge at the institution stage. This is also consistent with the gatekeeping role that the institution decision plays. *See* 35 U.S.C. § 314.

SAS asks the Court to ignore this differing language and stage-by-stage statutory scheme. The Court should reject that approach.

Even if SAS were correct, however, which it is not, this does not lead to the conclusion SAS seeks. As even the institution-stage provision makes clear, "challenge" is not used in a broad, allegedly plain-meaning manner. *See Challenge (vb.),* Black's Law Dictionary (10th ed. 2014) ("1. To dispute or call into question[.] 2. To formally object to the legality or legal qualifications of[.]"). Simply asserting to the Board, "I object to the validity of the claims in this patent" is not "challenging" anything in the context of the statute, notwithstanding any plain-meaning definition of the term.

Rather, even at the institution stage, "challenge" means that the petition has "identifie[d], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for challenge to each claim." 35 U.S.C. § 312(a)(3). The petition must also provide "such other information as the Director may require by regulation." *Id.* § 312(a)(4). To proceed further in the IPR process, there must be "a reasonable likelihood that the petitioner would prevail." *Id.* § 314(a). All of this makes clear that "challenge" means the submission of a petition for each individual claim that includes all of the information required by statute and by the Board's regulations and that demonstrates a reasonable chance of success. Anything less is not a "challenge" as the term is used in the statute. At most, it is a "request."

Statutory context also supports this conclusion, and, as always, must be considered when interpreting statutory text. *See King v. Burwell*, 135 S. Ct. 2480, 2488-95 (2015) (finding "an Exchange established by the

State" ambiguous as to inclusion of federal exchanges in light of surrounding statutory context despite "strong" plain-text argument; declining as an extraordinary case to apply *Chevron* based on deep economic and political significance of the question and lack of IRS expertise in health care policy; and including federal exchanges within the phrase based on the broader structure of the Act and the impact on the overall statutory regime to exclude them); *Abramski v. United States*, 134 S. Ct. 2259, 2267 (2014) ("In a straw purchase, who *is* the 'person' or 'transferee' whom federal gun law addresses? . . . . In answering that inquiry, we must (as usual) interpret the relevant words not in a vacuum, but with reference to the statutory context, 'structure, history, and purpose.'") (emphasis in original) (quoting *Maracich v. Spears*, 133 S. Ct. 2191, 2209 (2013)); *Roberts v. Sea-Land Serv., Inc.*, 566 U.S. 93, 101 (2012) ("Statutory language, however, 'cannot be construed in a vacuum. It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme.'") (quoting *Davis v. Mich. Dept. of Treasury*, 489 U.S. 803, 809 (1989)).

As discussed above, the IPR provisions are set forth in various discrete stages. This indicates that "challenged" in the post-institution stage, in a regime that does not allow any proceedings unless and until the Board elects to institute them, must be understood as specific to that stage of the proceedings. If the Board rejects challenges against particular claims at the institution stage—and there is no reason that possibility would be a surprise to Congress—a petitioner cannot raise them in the trial stage, and no final written decision is required for them.

In addition, the estoppel provision contemplates that not all challenged claims will be the subject of a final written decision. It states that a petitioner in "an inter partes review *of a claim* in a patent under this chapter that results in a final written decision" is estopped from asserting "that *the claim* is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. § 315(e)(2) (emphasis added). Had Congress intended SAS's interpretation, it would simply have written "a petitioner is estopped from asserting that any claim included in its petition" is invalid. Or, if Congress really intended that there be no further validity litigation on the patent, as SAS argues, Congress could have simply applied estoppel to all claims in any patent reviewed in an IPR.

Equally important is the statute's no-appeal provision for institution decisions—a crucial and fundamental provision in the IPR regime. "The determination by the Director whether to institute an inter partes review under this section shall be final and non-appealable." *Id.* § 314(d). Consistent with the bedrock principle that patent law involves an inherently claim-by-claim analysis, the decision to institute on some but not all claims is a determination whether to institute, and the no-appeal provision should apply to it.

SAS's interpretation makes no sense in light of the no-appeal provision. As SAS would have it, if the Board elects not to review any claims, the petitioner is completely out of luck, but if the Board elects to institute on some but not others, suddenly the decision not to institute on particular claims becomes reviewable. No possible purpose would be served by this interpretation, and SAS offers no answer as to why Congress would have intended such an odd result.

The no-appeal issue can also be viewed from a slightly different perspective that leads to the same result. According to SAS, if the Board determines that some claims are worth its time to litigate and others are not, the Board must either deny the petition entirely in an unreviewable decision (other than on limited bases like Constitutional questions, for which the Court left open the possibility of review in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016)), or it must spend its time and resources litigating claims where there is no reasonable chance the petitioner will actually succeed. This too serves no purpose, and SAS offers no explanation for why Congress would have wanted such a bizarre process. While perhaps the Board, under SAS's construction, could simply conduct no discovery or trial on those claims and just issue a final written decision based solely on the inadequate petition, that yields, as a practical matter, the exact result that Congress did not want: appellate review of an institution decision.

SAS also attempts to support its interpretation with the "Scope" section of the statute. 35 U.S.C. § 311(b). Petitioner Br. at 23. As discussed above, that section does not use the term "challenge"; instead it says that a petitioner "may request to cancel as unpatentable" one or more claims. These are distinct concepts: "request" is a broad term, and in contrast to it, "challenge" implies meeting applicable threshold requirements. The provision is therefore unhelpful to the analysis, and, if anything, serves to support a narrower interpretation of "challenge" in the final written decision provision.

Further, the Scope provision merely describes generally what a petitioner is allowed to request in an IPR

(cancellation of "1 or more claims of a patent only on a ground that could be raised under section 102 or 103" and only on the basis of prior art consisting of patents or printed publications) and says nothing about what a petitioner must show to permit institution or on what claims the Board must issue a final written decision. *Id.* This is further confirmed by the surrounding provisions in Section 311, which explain who may file an IPR, allow the Director to set fees, and provide filing deadlines. *Id.* § 311. None of this suggests that the Scope provision is some general interpretation dictate or requires the Board to issue a final written decision on claims that were not legitimately placed at issue at the institution stage and that would be a waste of time to litigate.

In support of its interpretation, SAS also relies on *United States v. Rosenwasser*, 323 U.S. 360 (1945). Petitioner Br. at 21. The language in that case was "shall" pay to each of his employees a minimum wage, and "employee" was defined as "any individual employed by an employer." *Rosenwasser*, 323 U.S. at 362-63. Not surprisingly, the Court held that "any individual employed" included all employees regardless of how they were employed, which ensured that workers paid by the piece would still be guaranteed a minimum wage. *Id.* But the issue in our case, as SAS admits, is not the words "shall" or "any," but rather, the word "challenged." Petitioner Br. at 23. *Rosenwasser* is therefore of no moment.

SAS's reliance on Section 316(d) is similarly unhelpful to its arguments, and in fact undermines them. Petitioner Br. at 27. That provision says that "[d]uring an inter partes review instituted under this chapter," a patent owner may "[c]ancel any challenged patent

claim." 35 U.S.C. § 316(d)(a)(A). Under SAS's interpretation, this includes the ability to cancel any claims that appear in the petition, including any claims for which the Board already determined at the institution stage that there is no reasonable chance the petitioner will succeed in invalidation—a cancellation that would be nonsensical in actual practice.

Further, if SAS is correct, the Board would still be required, under SAS's plain-text interpretation, to issue a final written decision on cancelled claims because they were "challenged" in the petition, which SAS contends to be the stage of the IPR in which "challenged" is measured. SAS attempts to avoid this absurdity by grafting an unwritten exception onto its own allegedly plain-language arguments on the basis that the Board "would not need to adjudicate such a nullity." Petitioner Br. at 27. Yet that exception simply proves the point against SAS's interpretation: a petitioner's invalidation argument that either fails to comply with the Board's rules or has no reasonable hope of success at the institution stage is every bit as much a nullity as a cancelled claim.

Finally, SAS relies on a flawed analogy to civil litigation. According to SAS, its statutory interpretation is "just as it is in ordinary civil litigation—the plaintiff is 'the master of the complaint,' [citation], and, even where a plaintiff's claims for relief are dismissed at the outset of litigation . . . those dismissals merge into the final judgment and can be appealed." Petitioner Br. at 24. There is a glaring and fatal omission from SAS's analogy, however: while there is a right to appeal the dismissal of even a single count in a complaint, Congress expressly precluded any appeal of the decision not to institute an IPR—something that has no paral-

lel to district court litigation and dispositively distinguishes it. Unlike a district court, the Board has unreviewable discretion (within the confines of *Cuozzo*) to act as a gatekeeper in determining what, if anything, will be adjudicated. And if the decision to institute on no claims is unreviewable, there is no logical reason to allow for review of the decision not to institute some of them.

The plain text of the statutory provision and the context in which it appears support the Board's practice of claim-by-claim institution and declining to litigate claims where the petitioner failed to show a reasonable chance of success or failed to comply with the Board's rules.

II. AT MOST, THE STATUTORY PROVISION IS AMBIGUOUS, AND THE BOARD'S INTERPRETATION ENJOYS *CHEVRON* DEFERENCE

The AIA does not set forth the "well-oiled engine" that SAS describes. Petitioner Br. at 39 (quoting dissent below). To the contrary:

- According to SAS, it allows for no appeal of a decision not to institute review of any of the patent claims at issue, but makes the institution denial reviewable if the Board elects to institute on some of the claims.
- According to SAS, it uses both varying "challenge" phrases and the phrase "request to cancel" interchangeably for no good reason.
- According to SAS, its Scope section was an effort to indicate legislative interpretive

intent and govern the entirety of the IPR provisions simply by stating what a petitioner could request to cancel.

- According to SAS, it has an unwritten exception to the final written decision requirement for claims challenged in the petition if those claims are cancelled by the patent owner.

Far from being a vehicle to cut down *Chevron* deference, Petitioner Br. at 40, this case is a good example of why to affirm its validity and importance.

ComplementSoft defers to the Board with regard to further arguments as to why *Chevron* deference applies and why the Board's position is afforded deference under *Chevron*.

III. READING SECTION 318(a) IN CONTEXT AND AS INTERPRETED BY THE BOARD ACHIEVES THE GOALS OF THE AMERICA INVENTS ACT AND WILL RESULT IN A FAIRER AND MORE EFFICIENT INTER PARTES REVIEW PROCESS

SAS's policy and legislative purpose arguments assume something that has no basis in the statute: that an IPR is meant to be a complete alternative to district court litigation with regard to the validity of every claim in an asserted patent.

As discussed above, there are a number of ways that the validity of patent claims can be challenged again by an accused infringer after an unsuccessful IPR. There is also not even a requirement that an accused infringer challenge all of the claims in suit in its IPR petition for it to be considered by the Board. Such

a partial petition obviously leaves open the validity of claims to be litigated in district court. If Congress intended what SAS asserts, it would have limited IPRs only to claims in litigation, and then only when the IPR addresses every claim at issue in the litigation. Congress did neither of those things despite the relative simplicity of doing so.

Further, SAS relies on legislative history that lacks context and is overly simplified. Petitioner Br. at 31. It is true that the quoted passages discuss a prohibition on "improperly mounting multiple challenges to a patent," *id.*, but SAS provides no indication that the Committee's report used the word "patent," as opposed to "patent claim," deliberately. Protection from repeated challenges would logically apply only to multiple attacks on the same claims, as opposed to separate attacks on separate claims. The same is true of the statements of individual legislators and Director Kappos. *Id.* Because the entire patent system is based on individual claims, each of which is individually assessed for infringement and validity, all of this legislative history must be understood with that in mind, and it defeats SAS's legislative intent argument.

Partial institution also does not result in any "adjudication of the same issues in litigation." Petitioner Br. at 31. The validity of two different claims is not a single issue, but two separate issues that may yield different results and may not even involve all of the same prior art. *See* J.A. 5-6 (table of contents to SAS's petition citing different combinations of prior art for different patent claims). And if the Board does not institute review as to a particular claim, there has been no adjudication and therefore no repeated adjudication of the same issue later in district court.

Similarly, SAS argues that Congress intended IPRs to be a completely alternative forum "for resolving patent validity issues." Petitioner Br. at 17 (quoting dissent below). To the contrary, as discussed above, there are myriad ways of challenging the validity of patent claims after an unsuccessful IPR, including reliance on other forms of art, or on art that the petitioner could not "reasonably" have been expected to find (yet somehow found in time for district court litigation), or based on entirely different validity provisions like Sections 101 and 112. Nor is there any requirement that a petition include every claim that was asserted in litigation or even that the petition be brought by an accused infringer.

In addition, SAS's argument presumes that in the event an IPR is instituted, the district court litigation will be stayed—otherwise the parties would be engaged in parallel validity proceedings. Nothing in the statute requires that result, even though Congress could have mandated an automatic district court stay pending the resolution of an IPR in every case. Instead, Congress limited automatic stays to declaratory judgment suits of invalidity brought by a petitioner. 35 U.S.C. § 315(a)(2). In fact, stays have been granted in less than 6 out of 10 cases. *See* Intellectual Property Owner's Ass'n Br. at 8. If Congress truly intended a single-forum resolution of the sort SAS asserts, it would have expressly created one, and would not have created a system that fails to achieve that goal 40% of the time.

Nor is the IPR process available only to accused infringers, which again undermines SAS's claimed legislative intent. As discussed above, hedge funds, for example, have used IPRs to attempt to profit on decline in the value of their stocks sold short. There is

nothing in the statute that prevents enterprising IPRs by those not accused of infringement, despite the ease with which such language could be drafted. This indicates that SAS's single-forum argument does not match with Congressional intent.

As this all makes clear, if a dog was expected to bark at anything, *see* Petitioner Br. at 32 (citing *Chisom v. Roemer*, 501 U.S. 380, 396 n.23 (1991)), it would be to support SAS's claim that notwithstanding the obvious structural failures foreclosing achievement of SAS's claimed legislative goal, notwithstanding the clear Congressional intent not to make institution decisions reviewable, notwithstanding the gatekeeping role played by the Board before instituting review, and notwithstanding limitations on the Board's resources to meet the short deadlines to complete IPRs, the Board is still required either to waste its time litigating unreasonable arguments by petitioners or else deny institution entirely when there is a good reason to litigate at least some of the claims. "[T]he legislative record contains no suggestion whatsoever" that Congress intended the inefficient, illogical, and statutorily ill-equipped result that SAS claims to have been Congress's intent. *See* Petitioner Br. at 32; *see also Chisom*, 501 U.S. at 406 (criticizing conclusion that "if the dog of legislative history has not barked nothing of great significance can have transpired," and noting that the Court has "forcefully and explicitly rejected the Conan Doyle approach to statutory construction in the past") (Scalia, J. dissenting).

SAS's interpretation also leads to potentially negative incentives for the Board. Thus far, the Board has made substantial use of partial institution. One study has found that only "38.4% of petitions that received an institution decision were fully instituted." Saurabh

Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 78 (2016). Faced with a petition that meets its burden as to some claims but not others, the Board has basically unreviewable discretion to deny the IPR in full, rather than waste its limited resources addressing claims for which the petitioner has not shown even a reasonable likelihood of success worthy of the Board's time. Given the short statutory timeline for completing IPRs and the volume being filed, the Board would have every incentive to deny split petitions rather than proceed to final written decisions on bad arguments. This would be expected to reduce, not increase, the use of IPRs to resolve validity issues, and cannot be reconciled with Congress's intent. *Cf. King*, 135 S. Ct. at 2496 ("Congress passed the Affordable Care Act to improve health insurance markets, not to destroy them.").

SAS also ignores the choices available to the petitioner if it can only achieve institution on a subset of claims. In the event that an accused infringer, like SAS, is unhappy with a partial institution decision, there is nothing stopping it from ending its IPR and proceeding in the single forum of a district court instead.[3] After all, according to SAS, its primary concern, and that of Congress, is allegedly to have a single forum determination, regardless of the results. Rather than do that, though, SAS has engaged in years of Board and Federal Circuit litigation to fight the partial institution issue. The reason is simple: it is not an efficient resolution accused infringers like SAS

[3] While it is true that the Board can finish an IPR even if the parties settle and want to end it, that would appear unlikely except in instances in which the adversarial portion of the process had already been completed.

seek, but the benefits of the more favorable claim construction and burden of proof standards in IPR proceedings and the possibility of gaining settlement leverage through the cost and delay of an IPR. It is only by forcing a final written decision on arguments for which there is, by definition, no reasonable hope of success, that an accused infringer like SAS can force an appellate review by the Federal Circuit of that determination—something Congress expressly did not intend and which will cause further delay.

IV. THE COURT'S *CUOZZO* DECISION IS CONTRARY TO SAS'S ARGUMENTS IN MANY WAYS

While SAS makes reference to the Court's *Cuozzo* decision, it misses a number of aspects that are relevant here.

First, *Cuozzo* confirms the continued vitality of *Chevron* deference and that it has application to the AIA and the Board's rulemaking. 136 S. Ct. at 2142-44.

Cuozzo also explains that "one important congressional objective" was "giving the Patent Office significant power to revisit and revise earlier patent grants" to help restore "confidence in the presumption of validity that comes with issued patents." *Id.* at 2139-40 (quoting, in final passage, H.R. Rep. No. 112-96, pt. 1, at 45-48 (2011)). That objective is one that is satisfied only on a claim-by-claim basis. If anything, the presumption of validity enjoys even further confidence when IPRs are properly focused on individual claims, as the Board's rules do.

Cuozzo also addressed the reviewability of "the kind of initial determination made here—that there is a

'reasonable likelihood' that the claims are unpatentable on the grounds asserted." *Id.* at 2140. The Court noted that it has previously found such initial determinations to be unreviewable in other contexts. *Id.* There is no logical reason to make that determination reviewable here simply because the Board elected to institute on other claims where there actually was a reasonable chance of success.

Finally, *Cuozzo* confirms that notwithstanding the importance SAS places on resolving the validity of all claims in a patent being asserted against the petitioner, "any third party can ask the agency to initiate inter partes review of a patent claim." *Id.* at 2137.

V. SAS SEEKS THE WRONG REMEDY

In the event the Court agrees with SAS, the appropriate remedy is not to force the Board to litigate or enter a final written decision with regard to the claims on which SAS failed to meet its burden at the institution stage. Rather, the appropriate remedy would be to strike down the Board's partial institution rules, vacate the IPR decision that would have been inappropriately rendered, and allow the Board the opportunity to decide again in the first instance whether it still wishes to institute this IPR. Only this approach would put the parties in the place they would have been had the Board interpreted the statutory provisions the way SAS asserts. *See Getty v. Fed. Sav. & Loan Ins. Corp.*, 805 F.2d 1050, 1061 (D.C. Cir. 1986) ("In fashioning our remand order, our goal must be to place Getty in the situation he would have been in had FSLIC not acted improperly. But we should not improve his position.") (citing *Delta Data Sys. Corp. v. Webster*, 744 F.2d 197, 206 (D.C. Cir.1984)); Charles H. Koch, Jr. & Richard Murphy, 3 Admin. L. & Prac. § 8:31 (3d ed. 2017) ("As a general principle, a

court should assure that its remand order does not intrude unnecessarily into the agency's authority.").

CONCLUSION

The judgment of the Federal Circuit should be affirmed. If the judgment of the Federal Circuit is reversed, the case should be remanded to the Federal Circuit with instructions to vacate the Board's final written decision and remand to the Board to issue a new institution decision.

Respectfully submitted,

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